

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Alternative Investments
Activity Status Report

ITEM NUMBER: 18

ATTACHMENT(S): 2

ACTION: _____

DATE OF MEETING: April 7, 1999

INFORMATION: X

PRESENTER(S): Mr. Desrochers

The table below contains Alternative Investment activity for the month of February 1999 and historical information for selected time periods.

	Month Ended 2/28/99	Fiscal Year To Date	Past One Year	Past Three Years	Inception To Date
Commitments:					
Partnerships	259,013,258	721,013,258	1,511,013,258	3,259,593,258	5,213,627,825
Co-Investments	0	0	0	47,000,000	47,000,000
Contributions:					
Partnerships	72,885,172	458,456,486	661,583,365	1,453,874,779	2,419,071,703
Co-Investments	0	0	0	47,000,000	47,000,000
Distributions:					
Cash	13,770,771	208,490,302	404,874,403	951,985,119	1,165,393,851
Stock	92,115,607	127,696,850	165,442,179	286,690,597	431,372,519
Stock Sales	563,779	47,966,244	63,956,147	262,200,330	373,521,388

Attachment 1 contains a summary of partnership commitments and capital accounts from the inception of the Alternative Investment program through February 28, 1999.

Attachment 2 contains an executive summary of action taken under delegation of authority for a commitment of \$30 to \$40 million, but not less than 10% of the capitalization of the fund, to CGW Southeast Partners IV, L.P.

CalSTRS ALTERNATIVE INVESTMENTS									
PARTNERSHIP COMMITMENTS AND CAPITAL SUMMARIES									
FEBRUARY 1999									
Partnerships	Type	Date STRS Approved	Closing Date	Fund Size	CalSTRS Commitment	Amount Funded	Returned Capital	Net Invested Capital	Income & Gain
Alpine Technology Partners	VC	Sep-94	Dec-8-94	60,000,000	60,000,000	38,000,000	1,257,680	36,742,320	1,927,015
Alta V	VC	Apr-92	May-27-92	159,470,000	20,000,000	20,000,000	6,269,040	13,730,960	23,371,027
Alta Communications VI	SS	Apr-96	May-09-96	161,200,000	20,000,000	19,000,000	0	19,000,000	0
Alta Communications VII	SS	Jun-98	July-09-98	271,490,000	30,000,000	6,000,000	0	6,000,000	0
Austin Ventures V	VC	Jan-97	Jan-16-97	170,000,000	15,000,000	9,000,000	125,599	8,874,401	0
Austin Ventures VI	VC	Nov-98	Nov-24-98	320,000,000	22,000,000	1,878,234	0	1,878,234	0
Bank Fund III	SS	Jan-93	Jan-22-93	125,000,000	10,000,000	10,000,000	0	10,000,000	6,691,579
BCI Growth III	SS	Feb-90	Mar-30-90	135,500,000	15,000,000	15,000,000	13,531,273	1,468,727	12,844,521
BCI Growth IV	SS	Mar-95	Oct-25-95	175,253,000	25,000,000	17,771,889	1,409,280	16,362,609	2,724,161
Blackstone Capital Partners II	LBO	Oct-93	Nov-03-93	1,271,400,000	91,128,203	76,031,150	17,162,316	58,868,834	31,541,795
Blackstone Capital Partners III	LBO	Jun-97	Jun-27-97	3,750,000,000	323,945,000	67,769,886	0	67,769,886	14,566
Boston Ventures IIIA	SS	Apr-89	Apr-27-89	286,000,000	35,598,029	35,612,559	30,244,319	5,368,240	35,670,511
Boston Ventures IVA	SS	Oct-92	Nov-10-92	515,000,000	55,312,500	49,228,125	35,656,983	13,571,142	40,406,476
Boston Ventures V	SS	May-96	Sep-30-96	808,080,000	90,000,000	27,720,662	461,249	27,259,413	6,974,872
Candover 1994	LBO	Mar-94	May-18-94	490,000,000	32,900,000	22,991,969	6,660,059	16,331,910	15,139,091
Candover 1997	LBO	Nov-97	Dec-10-97	1,411,000,000	150,000,000	25,678,822	0	25,678,822	0
Charterhouse Equity Partners	LBO	Jul-89	Jul-27-89	264,900,000	31,712,480	28,160,105	13,506,150	14,653,955	37,025,723
Charterhouse Equity Partners II	LBO	Jun-93	Dec-17-93	291,250,000	46,636,000	40,567,797	15,570,412	24,997,385	50,337,143
Cornerstone Equity Investor IV	VC	Nov-96	Dec-6-96	550,000,000	40,000,000	16,800,000	923,400	15,876,600	277,249
Corporate Partners	SS	Apr-88	Jun-24-88	1,396,000,000	100,000,000	88,498,525	65,235,471	23,263,054	83,489,182
CVC European Equity Partners	LBO	Nov-95	Feb-27-96	630,000,000	40,000,000	36,661,709	2,706,501	33,955,208	5,466,838
CVC European Equity Partners II	LBO	Apr-98	Jun-03-98	2,500,000,000	300,000,000	93,733,699	0	93,733,699	161,137
Cypress II	LBO	Jan-99	Feb-08-99	2,500,000,000	278,125,000	0	0	0	0
Domain Partners III	VC	Jan-95	Feb-24-95	125,000,000	10,000,000	9,000,000	692,169	8,307,831	2,441,280
ECI 5	LBO	Nov-94	Apr-27-95	128,000,000	16,000,000	14,200,467	3,184,389	11,016,078	7,697,835
First Reserve Fund VI	SS	Jan-92	Jan-29-92	184,184,000	25,000,000	25,000,000	10,304,900	14,695,100	15,630,049
First Reserve Fund VII	SS	Jan-97	Feb-21-97	243,900,000	25,000,000	18,546,825	1,783,702	16,763,123	2,797,818
First Reserve Fund VIII	SS	Apr-98	Apr-16-98	800,000,000	100,000,000	8,956,981	0	8,956,981	0
FS Equity Partners III	LBO	Mar-93	Aug-26-93	559,800,000	60,000,000	59,170,463	18,696,492	40,473,971	23,787,101
FS Equity Partners IV	LBO	Oct-97	Dec-31-97	915,000,000	87,500,000	32,226,576	0	32,226,576	0
Golder, Thoma, Cressey III	SS	Dec-91	Dec-12-91	235,000,000	4,633,908	4,633,908	2,218,557	2,415,351	15,941,592
Golder, Thoma, Cressey IV	SS	Mar-93	Apr-06-93	312,000,000	35,000,000	34,562,500	12,814,203	21,748,297	31,162,317
Golder, Thoma, Cressey V	SS	Jul-96	Jul-26-96	521,000,000	40,000,000	33,800,000	106,404	33,693,596	791,228
InnoCal Fund	VC	Jan-93	Apr-1-93	75,800,000	75,000,000	58,700,000	6,021,221	52,678,779	95,105,666

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InterWest Partners IV	VC	May-89	Jun-16-89	110,000,000	10,000,000	10,000,000	3,353,423	6,646,577	11,441,030
InterWest Partners V	VC	Apr-93	Jun-17-93	175,000,000	15,000,000	15,000,000	1,363,554	13,636,446	43,812,486
InterWest Partners VI	VC	Jun-96	Jun-27-96	175,000,000	15,000,000	10,800,000	0	10,800,000	0
Kelso Investment Advisors V	LBO	Jan-93	Dec-23-93	710,000,000	56,018,750	46,692,333	10,649,606	36,042,727	47,787,293
Kelso Investment Advisors VI	LBO	Feb-98	Mar-98	1,500,000,000	150,000,000	2,861,712	0	2,861,712	0
KKR 1996 Fund	LBO	Oct-96	Dec-20-96	6,012,000,000	322,190,304	131,380,623	0	131,380,623	1,277,530
Madison Dearborn	SS	Jun-92	Dec-18-92	550,000,000	50,000,000	48,160,749	10,449,657	37,711,092	25,149,674
Madison Dearborn II	SS	Apr-96	Jun-27-96	925,000,000	60,000,000	41,245,136	0	41,245,136	0
Madison Dearborn III	SS	Jan-99	Jan-26-99	2,000,000,000	300,000,000	0	0	0	0
Marlborough Capital	SS	Mar-91	Apr-01-91	70,700,000	10,000,000	9,873,150	5,062,967	4,810,183	3,841,517
Mayfield VII	VC	Nov-92	Dec-28-92	165,000,000	10,000,000	10,000,000	1,959,149	8,040,851	7,448,908
MC Venture Partners IV	VC	Dec-98	Dec-17-98	250,000,000	25,000,000	625,000	0	625,000	0
Media/Communications II	SS	Apr-90	Dec-20-90	167,000,000	30,000,000	30,000,000	16,833,550	13,166,450	39,901,873
Media/Communications III	SS	Dec-96	Dec-24-96	265,000,000	30,000,000	21,781,716	0	21,781,716	0
Mezzanine Lending Assoc III	SS	Feb-89	Mar-08-89	500,000,000	50,000,000	38,024,875	18,933,393	19,091,482	32,742,666
NEA V	VC	Mar-90	May-29-90	200,000,000	25,000,000	25,000,000	11,446,441	13,553,559	54,522,765
NEA VI	VC	Oct-93	Dec-22-93	230,000,000	35,000,000	35,000,000	4,647,017	30,352,983	19,465,631
NEA VII	VC	Nov-96	Nov-19-96	265,000,000	40,000,000	32,000,000	1,135,371	30,864,629	2,455,025
NEA VIII	VC	Jul-98	Sep-25-98	550,000,000	50,000,000	7,500,000	0	7,500,000	0
OCM Opportunities Fund II	SS	Sep-97	Oct-31-97	1,500,521,000	25,000,000	18,750,822	0	18,750,822	63,014
Penman Fund	LBO	May-93	Oct-05-94	88,700,000	8,339,215	5,555,544	550,282	5,005,262	170,803
Phildrew Ventures IV	LBO	Sep-95	Nov-13-95	257,000,000	20,000,000	17,231,459	3,121,095	14,110,364	2,426,102
Spectrum Equity Investors III	SS	Dec-98	Dec-17-98	656,500,000	65,000,000	3,575,000	0	3,575,000	0
Stonington Capital Appreciation	LBO	Sep-94	Dec-15-94	992,000,000	92,240,938	67,298,109	0	67,298,109	96,280
Summit Subordinated Debt Fund	SS	Feb-94	Mar-14-94	335,000,000	10,000,000	9,000,000	8,702,084	297,916	2,634,583
Summit Subordinated Debt Fund II	SS	Jan-97	Jan-31-97	141,400,000	20,000,000	8,000,000	1,180,626	6,819,374	610,033
Summit Ventures III	VC	Jan-92	Jan-23-92	279,200,000	15,000,000	13,500,000	10,106,292	3,393,708	28,970,440
Summit Ventures IV	VC	Jul-95	Jul-31-95	610,000,000	30,000,000	27,000,000	5,466,097	21,533,903	12,418,116
Summit Ventures V	VC	Feb-98	Feb-13-98	1,000,000,000	45,000,000	12,375,000	0	12,375,000	758
Syndicated Communications II	SS	Nov-89	Nov-01-90	35,000,000	7,037,039	7,037,039	4,445,680	2,591,359	5,184,781
TA/Advent VIII	VC	Oct-96	Nov-4-96	800,000,000	10,000,000	3,750,000	0	3,750,000	5,229
Thoma Cressey VI	SS	May-98	May-19-98	450,000,000	60,000,000	4,800,000	0	4,800,000	500
Thomas H. Lee Equity Fund III	LBO	Oct-95	Dec-28-95	1,345,000,000	106,727,742	71,067,921	30,566,088	40,501,833	32,575,730
Thomas H. Lee Equity Fund IV	LBO	Jan-98	Feb-09-98	3,450,000,000	218,295,217	41,164,859	0	41,164,859	3,390

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Warburg, Pincus Investors	SS	Jun-89	Sep-27-89	1,775,000,000	100,000,000	100,000,000	79,443,528	20,556,472	44,836,960
Warburg, Pincus Ventures	SS	Jul-94	Nov-04-94	2,022,000,000	110,000,000	110,000,000	8,344,380	101,655,620	7,186,183
WCAS Debt II	SS	Sep-90	Oct 03-90	354,000,000	30,000,000	30,000,000	8,299,021	21,700,979	22,382,890
WCAS Debt III	SS	May-97	May-30-97	1,279,000,000	100,000,000	30,000,000	0	30,000,000	1,506,262
WCAS V	LBO	Dec-88	Jan-27-89	371,363,636	30,000,000	30,000,000	14,494,861	15,505,139	82,392,821
WCAS VI	LBO	Apr-93	May-12-93	604,000,000	50,000,000	50,000,040	7,273,778	42,726,262	20,674,444
WCAS VII	LBO	Sep-95	Oct-06-95	1,425,000,000	150,000,000	127,500,000	2,836,617	124,663,383	4,528,638
WCAS VIII	LBO	Jun-98	Jun-30-98	3,150,000,000	300,000,000	54,000,000	0	54,000,000	0
Whitney 1990	SS	Nov-90	Mar-28-91	136,400,000	17,287,500	16,617,765	7,613,858	9,003,907	21,867,053
				\$60,218,011,636	\$5,213,627,825	\$2,419,071,703	\$544,820,184	\$1,874,251,519	\$1,129,799,180
Co-Investments									
Bridge Financial Info. - WCAS VII	CI	Jul-96			30,000,000	30,000,000	0	30,000,000	0
Hines Holding - Madison Dearborn II	CI	Nov-96			17,000,000	17,000,000	17,000,000	0	3,842,198
					47,000,000	47,000,000	17,000,000	30,000,000	3,842,198
Types: LBO (Leveraged Buyout)	Notes: #14 Commitment to Candover 1994 is 20 million British pounds.								
VC (Venture Capital)	#15 Commitment to Candover 1997 is 84 million British pounds								
SS (Special Situation)	#20 Commitment to CVC European Equity Partners is in US, equivalent ECU is 30 million.								
CI (Co-Investment)	#23 Commitment to the ECI 5 Fund is 10 million British pounds								

Alternative Investment

**EXECUTIVE SUMMARY OF ACTION TAKEN
UNDER DELEGATION OF AUTHORITY
CGW Southeast Partners IV, L.P.**

Action: Commitment of \$30 to \$40 million, but not less than 10% of the fund, to a new \$400 million maximum partnership, CGW Southeast Partners IV.

Background: The managing partners of CGW have been actively involved in mergers and acquisitions since the 1970s and have invested together since 1982. CGW's focus is in middle-market businesses in the manufacturing, service, and healthcare industries that are geographically located in the southeastern United States. The management team has successfully implemented this strategy in previous funds obtaining upper quartile rates of return.

Analysis: CGW Southeast Partners IV qualifies as a new fund as identified in the Alternative Investments' policies.

The investment thesis is based on the long-term experience, diversification, and continuity of the management team, its high quality deal flow, its proven investment strategy, and the successful track record of the firm.

CGW's strategy to invest in middle-market companies located in the southeastern United States provides a good fit in the CalSTRS portfolio; there is minimal overlap with CalSTRS' other buy-out limited partnerships.

CGW's capital strategy is consistent with the targets and ranges which have been approved by the Investment Committee to invest 60% of the Alternative Investments portfolio in buy-out limited partnerships.

Policy compliance: This decision complies with the portfolio's policies and procedures, which were approved on June 3, 1998 by the Investment Committee. A positive written recommendation by the Alternative Investment's advisor and CalSTRS' staff has been documented. This resulted after an investment analysis and due diligence was conducted in the manner as previously reviewed and approved by the Investment Committee.

Recommendation:

Staff recommends that CalSTRS commit \$30 to \$40 million, but not less than 10% of the fund, to a new \$400 million maximum partnership, CGW Southeast Partners IV. CalSTRS' commitment is subject to the successful negotiation of partnership terms and legal review.

By:

Deborah Contini
Investment Officer

Date_____

Approved:

Réal Desrochers
Director of Alternative Investments

Date_____

Patrick Mitchell
Chief Investment Officer

Date_____